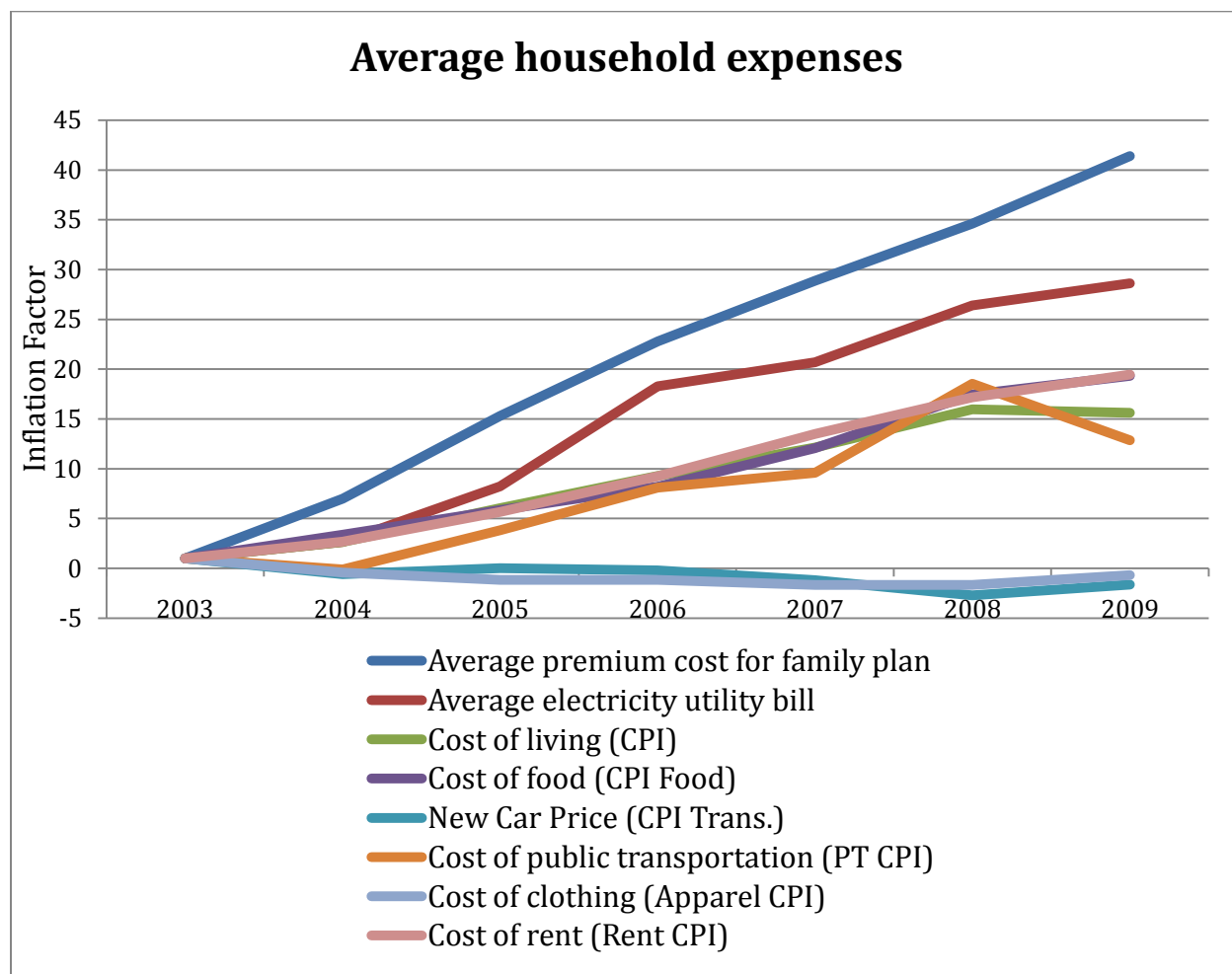


TO: Division of Health Care Finance and Policy
FR: Deirdre Cummings, MASSPIRG, Legislative Director
RE: Testimony for the 2011 Health Care Cost Trends Hearing
DT: June 30, 2011

MASSPIRG is a non-profit, non-partisan, member-supported consumer advocacy organization with a long history of working to improve and reform our health care system.

Health care costs are out of control and rising considerably faster than almost every other household expense. We must **reduce** the cost of health care now; the high costs have gone on for too long and must be reversed.

Massachusetts's healthcare costs rising significantly faster than other household expenses



Rise in healthcare costs compared to the rise in costs of household expenses

- Healthcare costs outpaced the rise in the average electrical bill by 53.75%
- Healthcare costs outpaced the rise in the average cost of rent by 134%
- Healthcare costs outpaced the rise in the average cost of food by 134%
- Healthcare costs outpaced the rise in the average cost of living by 196%
- Healthcare costs outpaced the rise in the average cost of public transit by 278%

Further, the cost figures here, and those currently being cited, underrepresent the actual cost increases as most measure growth of premiums over time. Premiums though have represented a shrinking % of consumer health care costs as employers and consumers are paying more in co-pays, co-insurance and deductibles and insurers are offering less in their plans. So we have the unfortunate situation of consumers paying more, significantly more in many cases, while at the same time receiving less coverage.

We have made great strides in expanding health coverage, but unless we lower the costs, our economy will suffer.

There is no one silver bullet, costs must be addressed on multiple fronts and must be a priority. Changing the fee for service payment system which encourages more, not better, care can be an important step to reducing costs. Rate regulation is another important tool, allowing the prohibition of unjustified rates.

A number of initiatives have recently been enacted or launched and must also be continued and/or strengthened; electronic records, medical homes, the prescription drug gift ban, academic detailing, student health plans, and changes within both the national and state health care reform laws, for example.

There is cause for concern though as the Rx gift ban, a law aimed at reducing costs by lowering prescription drug costs, is currently under consideration for repeal by the legislature.

Further, the news earlier this year of excessive compensation at the state's largest insurer is another reminder that changing the status quo will be hard and we must stand firm against special interests who would rather promote delay instead of change.

For consumers, employers and the health of our economy, we must demand lower health care costs now. We cannot afford delay.

Methodology for cost inflation charts

- The chart is based on an inflationary factor scale, showing the relative, proportional increases in cost over time of various household expenses. All figures are adjusted for economic inflation and come from non-partisan governmental agencies.
- Statistics for the average premium cost of a family healthcare plan in Massachusetts are taken from the U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality, and may be found at:
meps.ahrq.gov/mepsweb/data_stats/state_tables.jsp?regionid=18&year=-1

- Statistics for the average cost of residential electricity bills have been taken from the U.S. Energy Information Administration and have been calculated against the Massachusetts average use rate of 635 kw/hours per month and may be found at:
<http://www.eia.gov/cneaf/electricity/epa/epat7p4.html>
- Statistics for the cost of living, food, new cars, public transportation, clothing, and rent have been taken from the U.S. Bureau of Labor Statistics and may be found at:
http://www.bls.gov/cpi/cpi_dr.htm#2003

